

**HOLTON TOWNSHIP
MUSKEGON COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

June 30, 2008

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HOLTON TOWNSHIP

Board Members

	<u>Position</u>
Mickey Noble	Supervisor
William Halbower	Treasurer
Melanie Johnson	Clerk
Anita Kittle	Trustee
Alan Wilson	Trustee

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

Township Board
Holton Township
Muskegon County
Holton, Michigan

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holton Township as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Townships' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Holton Township, Michigan as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and 25 through 27, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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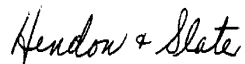
Fremont
711 West Main Street
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Toll Free (800) 924-6891

Montague
4538 Dowling Street
Montague, MI 49437
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Hart
1550 N. Industrial Park Drive
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Phone (231) 873-5611
Fax (231) 873-7033

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Holton Township, Michigan's basic financial statements. The introductory section, combining and individual non major fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in cursive script that reads "Hendon & Slate".

Hendon & Slate, P.C.
Certified Public Accountants
November 7, 2008

HOLTON TOWNSHIP

Management's Discussion and Analysis (MD&A) For the Year Ended June 30, 2008

Using this Annual Report

This annual report consists of a series of financial statements. The Governmental Wide Statement of Net Assets and the Government Wide Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets increased \$40,000 or 2.87% from a year ago. The increase is less than the prior year but is at the same level as two years ago. As a whole the Township continues to spend less than what it is bringing in.

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Current Assets	\$ 843,900	\$ 902,400
Noncurrent Assets	<u>785,500</u>	<u>559,700</u>
Total Assets	<u>\$ 1,629,400</u>	<u>\$ 1,462,100</u>
Long-Term Debt Outstanding	\$ 144,800	\$ 41,100
Other Liabilities	<u>50,400</u>	<u>26,800</u>
Total Liabilities	<u>\$ 195,200</u>	<u>\$ 67,900</u>
Net Assets		
Invested in Capital Assets-Net of Debt	\$ 634,900	\$ 518,600
Restricted	35,600	35,200
Unrestricted	<u>763,700</u>	<u>840,400</u>
Total Net Assets	<u>\$ 1,434,200</u>	<u>\$ 1,394,200</u>

Unrestricted net assets - the part of net assets that can be used to finance day to day operations decreased \$76,700 or 9.13%. This decrease is as a result of the Township purchasing capital assets such as recreational land, fire equipment, and cemetery improvements. However, the Township's unrestricted net assets remain healthy as the Township could pay operating expenses for over 17 months without revenues.

Management's Discussion and Analysis (Continued)

	Activities	
	<u>2008</u>	<u>2007</u>
Program Revenues		
Charges for Services	\$ 83,300	\$ 81,400
General Revenues		
Property Taxes	213,000	199,100
State Shared Revenues	189,800	192,000
Federal Revenues	500	1,300
Investment Earnings	27,800	35,200
Miscellaneous	28,300	29,300
Total Revenues	\$ 542,700	\$ 538,300
Program Expenses		
General Government	268,100	210,000
Public Safety	149,100	137,600
Public Works	67,200	43,500
Community/Economic Development	11,300	7,600
Recreation and Culture	4,900	6,400
Other	-	15,600
Unallocated Depreciation	-	-
Interest on Long-Term Debt	2,100	3,200
Total Expenses	502,700	423,900
Change in Net Assets	<u>\$ 40,000</u>	<u>\$ 114,400</u>

The Township seems to be managing operating expenses effectively as 2008 revenues exceeded operating expenses. Some of this increase in net assets will be used to pay long term debt acquired to obtain a new fire truck.

Governmental Activities

The Township's total governmental revenues increased by \$4,400. Property taxes increased \$12,300 or 6.18% while other sources of revenues have seen a decrease.

Expenses increased \$78,800 or 18.6%. Professional services increased over \$20,000 or 137%. This is mainly from attorney fees relating to culverts in the Township.

Business-Type Activities

The Township had no business type activities.

Management's Discussion and Analysis (Continued)

The Township's Fund

Our analysis of the Township's major funds follows the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2008 include the General Fund, the Fire Fund, and the Fire Equipment Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township Board did find it necessary to amend the budget to take into account events during the year. However, the Board still had over-expenditures on several activities as reported in the notes to the financial statements.

Capital Asset and Debt Administration

At June 30, 2008 the Township had \$1,139,000 invested in a broad range of capital assets, including land, buildings, fire trucks and equipment, and other vehicles and equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the township's financial statements because of Michigan law, which makes these roads property of the Muskegon County Road Commission (along with the responsibility to maintain them).

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2009 calls for stagnant property taxes due to the limited allowed property value increases (the lesser of inflation or 5%). The Township also projects that state shared revenue will decrease slightly. Other revenues such as interest, permits and rebates are expected to decrease as well. Operating expenditures are expected to remain consistent from the prior year. Any major changes to expenditures relate to capital expenditures for the fire funds or cemetery improvements.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

HOLTON TOWNSHIP

Government Wide Statement on Net Assets June 30, 2008

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 797,700
Accounts Receivable	30,900
Accounts Receivable-Fiduciary Funds	4,800
Prepaid Insurance	10,500
Property and Equipment	1,139,000
Accumulated Depreciation	<u>(353,500)</u>
Total Assets	1,629,400
LIABILITIES	
Accounts Payable	27,700
Accrued Wages	11,600
Withheld and Accrued Payroll Taxes	3,300
Accrued Pension Costs	2,000
Capital Lease - Copier	600
Current Portion of Long Term Debt	5,200
Note Payable - Fire Truck	<u>144,800</u>
Total Liabilities	<u>195,200</u>
NET ASSETS	
Invested in Capital Assets	
Net of Related Debt	634,900
Restricted for Perpetual Care	35,600
Unrestricted	<u>763,700</u>
Total Net Assets	<u><u>\$ 1,434,200</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement.

HOLTON TOWNSHIP

Government Wide Statement of Activities For the Fiscal Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expenses) Revenue and Changes in Net Assets Governmental Activities</u>
Primary Government			
General Government	\$ 268,100	\$ 47,200	\$ (220,900)
Public Safety	149,100	36,100	(113,000)
Public Works	67,200	-	(67,200)
Community/Economic Development	11,300	-	(11,300)
Recreation and Culture	4,900	-	(4,900)
Capital Outlay	2,100	-	(2,100)
Total Primary Government	<u>\$ 502,700</u>	<u>\$ 83,300</u>	(419,400)

General Revenues

Property Taxes - Levied for General Purpose	75,800
Property Taxes - Levied for Public Safety	137,200
State Sources	189,800
Federal Sources	500
Interest and Rents	27,800
Miscellaneous	28,300
Total General Revenues	<u>459,400</u>
Change in Net Assets	40,000
Net Assets - July 1, 2007	<u>1,394,200</u>
Net Assets - June 30, 2008	<u>\$ 1,434,200</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

HOLTON TOWNSHIP

Governmental Fund Balance Sheet June 30, 2008

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Fire Equipment Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Investments	\$ 298,800	\$ 245,500	\$ 172,000	\$ 81,400	\$ 797,700
Accounts Receivable	30,900	-	-	-	30,900
Due from Other Funds	8,300	-	-	-	8,300
Total Assets	<u>\$ 338,000</u>	<u>\$ 245,500</u>	<u>\$ 172,000</u>	<u>\$ 81,400</u>	<u>\$ 836,900</u>
LIABILITIES					
Accounts Payable	\$ 27,700	\$ -	\$ -	\$ -	\$ 27,700
Withheld and Accrued					
Payroll Taxes	1,300	2,000	-	-	3,300
Accrued Pension Costs	600	1,400	-	-	2,000
Accrued Wages	8,900	2,700	-	-	11,600
Due to Other Funds	-	2,500	-	1,000	3,500
Total Liabilities	38,500	8,600	-	1,000	48,100
FUND BALANCES					
Unreserved	299,500	236,900	172,000	44,800	753,200
Reserved	-	-	-	35,600	35,600
Total Fund Balances	<u>299,500</u>	<u>236,900</u>	<u>172,000</u>	<u>80,400</u>	<u>788,800</u>
Total Liabilities and Fund Balances	<u>\$ 338,000</u>	<u>\$ 245,500</u>	<u>\$ 172,000</u>	<u>\$ 81,400</u>	<u>\$ 836,900</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

HOLTON TOWNSHIP

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets For the Fiscal Year Ended June 30, 2008

Total Governmental Fund Balances	\$	788,800
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Total net assets reported for governmental activities in the statement of net assets are different from the amount reported as total governmental funds fund balance because:

Prepaid Insurance reflects amounts that will be used in a future period.	10,500
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental Capital Asset	1,139,000
Governmental Accumulated Depreciation	(353,500)

Long-term liabilities, including notes payable, are not due in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the statement of net assets that are not reported in the funds balance sheet are:

General Obligation Debt	<u>(150,600)</u>
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Total Net Assets - Governmental Activities:	<u><u>\$ 1,434,200</u></u>
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The Notes to the Financial Statements are an Integral Part of this Statement.

HOLTON TOWNSHIP

Governmental Fund Statements of Revenue, Expenditures and Changes in Fund Balance For the Fiscal Year Ended June 30, 2008

	General Fund	Fire Fund	Fire Equipment Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	\$ 75,800	\$ 100,500	\$ 35,100	\$ 1,600	\$ 213,000
Licenses and Permits	18,200	-	-	-	18,200
State Sources	189,800	-	-	-	189,800
Federal Sources	500	-	-	-	500
Charges for Services	29,000	36,100	-	-	65,100
Interest and Rents	15,900	7,100	2,300	2,500	27,800
Refunds and Reimbursements	22,300	2,500	-	-	24,800
Other	1,600	-	-	400	2,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	353,100	146,200	37,400	4,500	541,200
EXPENDITURES					
General Government	263,900	-	-	-	263,900
Public Safety	23,000	121,800	-	700	145,500
Public Works	55,400	-	-	5,700	61,100
Community and Economic Development	11,300	-	-	-	11,300
Recreation and Culture	46,400	-	-	-	46,400
Capital Outlay	125,400	5,100	70,000	-	200,500
Debt Service	1,400	-	40,500	-	41,900
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	526,800	126,900	110,500	6,400	770,600
Excess Revenue Over (Under) Expenditures	(173,700)	19,300	(73,100)	(1,900)	(229,400)

The Notes to the Financial Statements are an Integral Part of this Statement.

OTHER FINANCING SOURCES (USES)

Operating Transfers In (Out)	800	-	-	(800)	-
Sale of Fixed Assets	-	-	2,200	-	2,200
Proceeds from Long-Term Debt	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>
Total Other Financing Sources (Uses)	<u>800</u>	<u>-</u>	<u>152,200</u>	<u>(800)</u>	<u>152,200</u>
Excess Revenues and Other Financing Sources					
Over(Under) Expenditures and Other					
Financing (Uses)	(172,900)	19,300	79,100	(2,700)	(77,200)
Fund Balance - July 1, 2007	<u>472,400</u>	<u>217,600</u>	<u>92,900</u>	<u>83,100</u>	<u>866,000</u>
Fund Balance - June 30, 2008	<u>\$ 299,500</u>	<u>\$ 236,900</u>	<u>\$ 172,000</u>	<u>\$ 80,400</u>	<u>\$ 788,800</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

HOLTON TOWNSHIP

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds \$ (77,200)

Amounts reported for governmental activities in the statement of activities are different because:

Prepaid Insurance reflects amounts that will be used in a future period.

Current Year Prepaid Insurance	10,500	
Prior Year Prepaid Insurance	<u>(9,600)</u>	900

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense

Capital purchases reported in governmental fund statements	258,600	
Capital outlay reported as expenses in statement of activities	(2,100)	
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) in assets	(700)	
Depreciation expense reported in the statement of activities	<u>(30,000)</u>	225,800

Proceeds from debt issues are another financing source in the funds, but a debt issue increases long-term obligation in the statement of net assets.

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net assets and does not affect the statement of activities.

Proceeds from long-term debt reported in governmental fund statements as revenue.	(150,000)
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The amount of debt principal payments in the current year is:	<u>40,500</u>
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Changes in Net Assets - Governmental Activities	<u>\$ 40,000</u>
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The Notes to the Financial Statements are an Integral Part of this Statement.

HOLTON TOWNSHIP

Statement of Net Assets - Fiduciary Funds June 30, 2008

	<u>Tax Fund</u>	<u>Trust and Agency Fund</u>
ASSETS		
Cash and Investments	\$ 4,400	\$ 1,700
Due from Other Funds	<u>5,000</u>	<u>-</u>
Total Assets	<u>9,400</u>	<u>1,700</u>
 LIABILITIES		
Due to Other Funds	9,400	400
Due to Other Units	<u>-</u>	<u>1,300</u>
Total Liabilities	<u>9,400</u>	<u>1,700</u>
 NET ASSETS		
Unreserved	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement.

HOLTON TOWNSHIP

Notes to the Financial Statements For the Year Ended June 30, 2008

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Holton Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by Holton Township.

A. Reporting Entity

The reporting entity is a general law township as defined by the laws of the State of Michigan. The Township is governed by a Supervisor and Township Board.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. Appoints a voting majority of the organization's board, and, has the ability to impose its will on the organization; or
2. There is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on this criteria, there are no other entities included in this report.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Notes to the Financial Statements (continued)

Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the fiscal period.

1. State Shared Revenue Receivable

State Shared Revenue is distributed in six installments per year. Often the last payment has not been received by June 30; therefore, a receivable is recorded for this amount. For fiscal year-end June 30, 2008, this amount was \$28,300.

Notes to the Financial Statements (continued)

2. Property Taxes Receivable

The Township property tax is levied on each December 1st on the taxable valuation of the property (as defined by state statutes) located in the Township as of the preceding December 31st. The taxes are due on September 14th and February 28th. After February 28th they are added to the County tax rolls. The 2007 delinquent taxes of \$27,500 were received by June 2008, thus no taxes receivable has been recorded.

The 2007 taxable valuation of the Township totaled \$51,687,000 on which ad valorem taxes levied consisted of 1.1002 mills for general operating, .6791 mills for fire equipment, and 1.9427 mills for fire operating raising \$57,700 for operating, \$35,100 for fire equipment and \$100,500 for fire operational. The Township also collects property taxes for street lights which raised \$1,600. In addition the Township collects a 1% administrative fee to cover administrative costs which amounted to \$18,100. These amounts are recognized in the respective general and special revenue fund financial statements as current tax revenue.

The government reports the following major governmental funds:

The General fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire fund accounts for the resources of property tax revenue and charges for services that are restricted for fire protection purposes.

The Fire Equipment Fund accounts for property tax revenues that are restricted for the purchase of fire/emergency equipment.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Notes to the Financial Statements (continued)

D. Assets, Liabilities, and Fund Balance

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund based on the cash balance in each fund.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

Inventories and Prepaid Items - Payments for inventorable types of supplies are recorded as expenditures at the time of purchase. Normally expenditures are not divided between years by the recording of prepaid expenses. There were no material inventories at year end.

Restricted Assets - Cash in the Perpetual Care Fund is restricted. The corpus can not be spent, however income earned from the restricted cash may be used to maintain the cemetery.

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$3,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
General Equipment	5 to 10 years
Fire Trucks	15 to 20 years

Salvage value is estimated at 10% of cost

Notes to the Financial Statements (continued)

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to permit employees to accumulate earned but unused sick pay benefits. Vacation benefits do not accumulate. Any unused vacation is paid annually. Sick pay was not accrued at the beginning or end of the year as the amount was immaterial.

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. All Township long-term debt is related to equipment purchases.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Township approves its originally adopted budget by the end of the current fiscal year. Amendments are approved periodically during the year.

The budget document presents information by fund, activity, and line items. The legal level of budgetary control adopted by the governing body is the activity level.

The Township does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Local Governmental Unit incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditures</u>
Fire Fund - Repairs and Maintenance	15,000	27,200
Fire Equip. Fund - Debt Service	-	40,500
- Capital Outlay	30,000	70,000
General Fund - General Govt.	57,000	67,900

NOTE C DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated six banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts and CD's, bankers' acceptances of United States banks, and mutual funds under the Investment Company Act of 1940, but not the remainder of State statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

The Township's deposits were reported in the basic financial statements in the following categories:

	Governmenta Activities	Fiduciary Funds	Total Primary Government
Cash and Cash Equivalents	\$ 797,700	\$ 6,100	\$ 803,800

The bank balance of the Township's deposits is \$903,000, of which \$392,100 is covered by federal depository insurance, \$17,500 is uninsured and uncollateralized and \$493,400 is collateralized with U.S. Treasury securities held by the pledging financial institution's trust department in the Township's name.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments are normally categorized to give an indication of the level of risk assumed by the Township; however, cash management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes the investments in the funds comply with the investment authority noted above.

Notes to the Financial Statements (continued)

Depositories actively used by the Township during the year are detailed as follows:

1. Chemical Bank
2. Fifth Third Bank
3. Choice One Bank
4. National City Bank
5. Shelby State Bank
6. Huntington Bank

NOTE D RECEIVABLES

Receivables as of year-end for the Township's individual major and nonmajor funds, and the fiduciary funds in the aggregate, including the applicable allowances for uncollected accounts, are as follows:

	General Fund	Fire Fund	Fire Equipment Fund	Non-Major and Other Funds	Total
State Shared Revenue	\$ 28,300	\$ -	\$ -	\$ -	\$ 28,300
Fiduciary Funds	4,800	-	-	-	4,800
Other Gross Receivables	2,600	-	-	-	2,600
Less: Allowance for Uncollectibles	-	-	-	-	-
Net Receivables	<u>\$ 35,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,700</u>

NOTE E CAPITAL ASSETS

Capital asset activity of the primary government of the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not being depreciated				
Land	\$184,600	\$ 95,800	\$ -	\$ 280,400
Capital Assets Being Depreciated				
Buildings	149,400	43,900	-	193,300
Land Improvements	81,700	46,700	-	128,400
General Equipment	61,500	-	-	61,500
Fire Equipment	412,800	70,100	7,500	475,400
Subtotal	705,400	160,700	7,500	858,600

Notes to the Financial Statements (continued)

Less Accumulated Depreciation for				
Buildings	46,400	3,000	-	49,400
Land Improvements	7,500	4,000	-	11,500
General Equipment	33,400	7,700	-	41,100
Fire Equipment	243,000	15,300	6,800	251,500
Subtotal	330,300	30,000	6,800	353,500
Net Capital Assets being depreciated	375,100	130,700	700	505,100
Total Governmental Activities Capital Assets - Net of Depreciation	<u>\$559,700</u>	<u>\$ 226,500</u>	<u>\$ 700</u>	<u>\$ 785,500</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General Government	\$ 4,900
Public Safety	16,400
Public Works	6,100
Recreation & Culture	<u>2,600</u>
Total Governmental Activities	<u>\$ 30,000</u>

NOTE F INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Receivable Fund (Due From)		Payable Fund (Due To)	
General Fund	\$ 8,300	General Fund	\$ -
Liquor License	-	Fire Fund	2,500
Road , Sidewalk, Bridges	-	Perpetual Care Fund	900
Street Light	-	Trust & Agency Fund	500
		Tax Account	4,400
	<u>\$ 8,300</u>		<u>\$ 8,300</u>

Interfund Transfers

	<u>Transfers (Out)</u>
	<u>General Fund</u>
Transfers In	
General Fund	\$ 800
Transfers Out	
Non-Major Governmental Funds	\$ 800

Notes to the Financial Statements (continued)

NOTE G LEASES

Capital Leases - The government has entered into a lease agreement as lessee for financing the purchase of copy machines. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value is as follows:

<u>Year Ended</u>	
2009	\$ 600
2010	-
Total Minimum Lease Payments	<u>600</u>
Less: Amounts Representing Interest	<u>-</u>
Present Value	<u><u>\$ 600</u></u>

NOTE H LONG-TERM DEBT

The Township entered into an agreement to purchase a fire truck on October 25, 2007 for \$186,000. \$150,000 will be financed through Fifth Third Bank over 7 years, with payments of \$6139.30, including 3.861% interest paid quarterly commencing October 1, 2008 and ending July 1, 2015. The loan is collateralized by the fire truck and the full faith and credit of the Township.

Contractual obligation activity can be summarized as follows:

Governmental Activities	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balances</u>	<u>Additions (Reductions)</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Installment Purchase Agreements						
Fire Rescue Van	3.50%	9/27/07	\$ 3,400	(3,400)	\$ -	\$ -
Fire Truck	4.39%	4/1/10	36,000	(36,000)	-	-
Fire Truck	3.86%	7/1/15	-	150,000	150,000	5,200
			<u>\$ 39,400</u>	<u>\$ 110,600</u>	<u>\$ 150,000</u>	<u>\$ 5,200</u>

Notes to the Financial Statements (continued)

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End June 30</u>	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2009	13,900	5,200
2010	19,500	5,100
2011	20,300	4,300
2012	21,100	3,500
2013	21,900	2,700
Future Years	107,000	17,200
	<u>\$ 150,000</u>	<u>\$ 23,400</u>

NOTE I RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets and omissions; and natural disasters for which the Township carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE J EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Contribution Pension Plan

The Township provides pension benefits to all of its elected officials and full time employees through a defined contribution plan administered by Manufacturers Life Insurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate on August 1st of each year. As established by the Township Board, the plan is funded by participants to the extent they elect to defer their compensation into the plan, and by a matching contribution from the Township. The Township's contributions for each employee (plus interest allocated to the employee's account) are fully vested immediately upon deposit of the contribution by the Township. The Township's current year pension cost was \$7,100 including participant fees of \$2,100. \$5,000 was withheld and paid on behalf of the employees in the current year. The contribution is 10% of covered wages, with the Township contributing 50% of the cost and the employees 50%. Covered payroll for the current year is \$112,400; and total payroll of the Township is \$159,500.

Notes to the Financial Statements (continued)

NOTE K PERMITS

Public Act 245 of 1999 (The Stille-Derossett-Hale Single State Construction Code Act) restricts the use of fees collected under this Act for the operation of the enforcing agency and/or the Construction Board of Appeals effective January 1, 2000. The following is the required accounting for such fees:

Beginning Excess Costs Over Fees Collected	\$ (13,588)
Fees Collected 2008	17,348
Wages, Professional Fees and Other Expenses	<u>(17,902)</u>
Excess Costs Over Fees Collected	<u><u>\$ (14,142)</u></u>

HOLTON TOWNSHIP

Required Supplementary Information Budgetary Comparison Schedule for the General Fund For the Year Ended June 30, 2008

	Budgeted Amounts			Variance to
	Original	Final	Actual	Final Budget
Beginning Year Fund Balance	\$ 472,400	\$ 472,400	\$ 472,400	\$ -
Resources (Inflows)				
Property Taxes	69,000	65,100	75,800	10,700
Licenses and Permits	24,800	26,300	18,200	(8,100)
State Shared Revenue	190,000	190,000	189,800	(200)
Federal Revenues	-	-	500	500
Charges for Services	30,500	30,500	29,000	(1,500)
Interest and Rents	30,300	30,200	15,900	(14,300)
Refunds and Reimbursements	16,000	16,000	22,300	6,300
Other	2,900	1,600	1,600	-
Operating Transfers In	-	-	1,100	1,100
Amounts Available for Appropriation	835,900	832,100	826,600	(5,500)
Charges to Appropriations (Outflows)				
General Government	407,400	407,300	329,300	78,000
Public Safety	29,300	29,300	23,000	6,300
Public Works	66,200	66,200	55,400	10,800
Community and Economic Development	16,300	16,400	11,300	5,100
Recreation and Culture	113,500	113,500	107,800	5,700
Operating Transfers Out	25,000	25,000	300	24,700
Total Charges to Appropriations	657,700	657,700	527,100	130,600
Budgetary Fund Balance-June 30, 2008	<u>\$ 178,200</u>	<u>\$ 174,400</u>	<u>\$ 299,500</u>	<u>\$ 125,100</u>

HOLTON TOWNSHIP

Required Supplementary Information Budgetary Comparison Schedule for the Fire Fund For the Year Ended June 30, 2008

	Budgeted Amounts			Variance to
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ 24,700	\$ 24,700	\$ 217,600	\$ 192,900
Resources (Inflows)				
Property Taxes	94,800	94,800	100,500	5,700
Charges for Services	30,600	30,600	36,100	5,500
Interest	5,000	5,000	7,100	2,100
Refunds and Reimbursements	<u>5,000</u>	<u>5,000</u>	<u>2,500</u>	<u>(2,500)</u>
Amounts Available for Appropriation	160,100	160,100	363,800	203,700
Charges to Appropriations (Outflows)				
Wages and Fringes	45,000	45,000	42,200	2,800
Supplies	6,000	6,000	6,000	-
Contracted Services	5,000	5,000	7,000	(2,000)
Professional Services	6,000	6,000	5,500	500
Education and Training	4,000	4,000	1,400	2,600
Transportation	6,000	6,000	3,800	2,200
Printing and Publishing	1,000	1,000	900	100
Insurance	18,000	18,000	17,600	400
Utilities	10,000	10,000	9,600	400
Repairs and Maintenance	15,000	15,000	27,200	(12,200)
Miscellaneous	500	500	600	(100)
Capital Outlay	<u>25,000</u>	<u>25,000</u>	<u>5,100</u>	<u>19,900</u>
Total Charges to Appropriation	<u>141,500</u>	<u>141,500</u>	<u>126,900</u>	<u>14,600</u>
Budgetary Fund Balance-June 30, 2008	<u><u>\$ 18,600</u></u>	<u><u>\$ 18,600</u></u>	<u><u>\$ 236,900</u></u>	<u><u>\$ 218,300</u></u>

HOLTON TOWNSHIP

Required Supplementary Information Budgetary Comparison Schedule for the Fire Equipment Fund For the Year Ended June 30, 2008

	Budgeted Amounts			Variance to
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ 100	\$ 100	\$ 92,900	\$ 92,800
Resources (Inflows)				
Property Taxes	33,100	33,100	35,100	2,000
Interest	1,200	1,200	2,300	1,100
Sale of Assets	-	-	2,200	2,200
Proceeds from Long Term Debt	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>150,000</u>
Amounts Available for Appropriation	34,400	34,400	282,500	248,100
Charges to Appropriations				
Debt Service	-	-	40,500	(40,500)
Capital Outlay	<u>30,000</u>	<u>30,000</u>	<u>70,000</u>	<u>(40,000)</u>
Total Charges to Appropriation	<u>30,000</u>	<u>30,000</u>	<u>110,500</u>	<u>(80,500)</u>
Budgetary Fund Balance-June 30, 2008	<u>\$ 4,400</u>	<u>\$ 4,400</u>	<u>\$ 172,000</u>	<u>\$ 167,600</u>

HOLTON TOWNSHIP

Combining Balance Sheet Non-Major Governmental Funds June 30, 2008

	Special Revenue Funds				Total Non-Major Governmental Funds
	Fire Volunteer	Liquor License	Street Lights	Perpetual Care	
ASSETS					
Cash and Investments	\$ 700	\$ -	\$ 25,200	\$ 55,500	\$ 81,400
Due from Other Funds	-	-	-	-	-
Total Assets	<u>\$ 700</u>	<u>\$ -</u>	<u>\$ 25,200</u>	<u>\$ 55,500</u>	<u>\$ 81,400</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Withheld and Accrued					
Payroll Taxes	-	-	-	-	-
Accrued Wages	-	-	-	-	-
Due to Other Funds	-	-	-	1,000	1,000
Total Liabilities	-	-	-	1,000	1,000
FUND BALANCES					
Fund Balances - Unreserved	700	-	25,200	18,900	44,800
Fund Balances - Reserved	-	-	-	35,600	35,600
	700	-	25,200	54,500	80,400
Total Liabilities and Fund Balances	<u>\$ 700</u>	<u>\$ -</u>	<u>\$ 25,200</u>	<u>\$ 55,500</u>	<u>\$ 81,400</u>

HOLTON TOWNSHIP

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Governmental Funds For the Fiscal Year Ended June 30, 2008

	Special Revenue Funds				Total Non-Major Governmental Funds
	Fire Volunteer	Liquor License	Street Lights	Perpetual Care	
REVENUES					
Property Taxes	\$ -	\$ -	\$ 1,600	\$ -	\$ 1,600
Interest	-	-	600	1,900	2,500
Other	-	-	-	400	400
Total Revenues	-	-	2,200	2,300	4,500
EXPENDITURES					
Public Safety	500	200	-	-	700
Public Works	-	-	5,700	-	5,700
Total Expenditures	500	200	5,700	-	6,400
Excess Revenue Over (Under) Expenditures	(500)	(200)	(3,500)	2,300	(1,900)
OTHER FINANCING SOURCES (USES)					
Operating Transfers In (Out)	-	(800)	-	-	(800)
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(500)	(1,000)	(3,500)	2,300	(2,700)
Fund Balance - July 1, 2007	1,200	1,000	28,700	52,200	83,100
Fund Balance - June 30, 2008	\$ 700	\$ -	\$ 25,200	\$ 54,500	\$ 80,400

HOLTON TOWNSHIP

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund For the Year Ended June 30, 2008

	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Property Taxes	\$ 65,100	\$ 75,800	\$ 10,700
Licenses and Permits	26,300	18,200	(8,100)
State Shared Revenue	190,000	189,800	(200)
Federal Revenues	-	500	500
Charges for Services			
Sale of Lots/Burial Fees	6,500	4,700	(1,800)
Dump Fees	24,000	24,300	300
Interest	26,400	13,400	(13,000)
Rentals	3,800	2,500	(1,300)
Refunds and Rebates	11,000	16,700	5,700
Franchise Fees	5,000	5,600	600
Other	1,600	1,600	-
Total Revenues	359,700	353,100	(6,600)
EXPENDITURES			
General Government			
Township Board			
Salaries and Wages		21,500	
Miscellaneous		200	
	24,700	21,700	3,000
Supervisor			
Salaries and Wages		12,200	
Education and Training		900	
Miscellaneous		500	
	13,900	13,600	300
Clerk			
Salaries and Wages		12,600	
Transportation		300	
Miscellaneous		400	
	15,100	13,300	1,800

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Treasurer			
Salaries and Wages		\$ 14,600	
Transportation		500	
Miscellaneous		<u>400</u>	
	\$ 16,000	15,500	\$ 500
Assessor and Board of Review			
Salaries and Wages		400	
Professional Services		<u>24,100</u>	
	27,700	24,500	3,200
Elections			
Salaries and Wages		1,000	
Supplies		1,400	
Miscellaneous		<u>200</u>	
	4,900	2,600	2,300
Township Hall and Grounds			
Salaries and Wages		21,100	
Supplies		5,500	
Transportation		300	
Repairs and Maintenance		16,900	
Contracted Services		5,500	
Utilities		13,500	
Miscellaneous		1,900	
Capital Outlay		7,900	
Debt Service		<u>1,400</u>	
	76,900	74,000	2,900
Cemetery			
Salaries and Wages		20,300	
Supplies		1,700	
Contracted Services		5,100	
Utilities		300	
Fuel & Oil		2,800	
Repairs and Maintenance		1,500	
Miscellaneous		500	
Capital Outlay		<u>64,000</u>	
	171,100	96,200	74,900

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

General Government			
Payroll Taxes		\$ 5,100	
Pension		4,100	
Administration		3,300	
Professional Services		35,900	
Contracted Services		300	
Printing & Publishing		1,700	
Insurance & Bonds		15,200	
Dues		1,400	
Miscellaneous		900	
	\$ 57,000	67,900	\$ (10,900)
Total General Government	407,300	329,300	78,000
Public Safety			
Building Inspection			
Professional Services		6,100	
Miscellaneous		-	
	11,500	6,100	5,400
Electrical Inspection			
Professional Services		2,800	
Miscellaneous		-	
	4,500	2,800	1,700
Mechanical Inspection			
Professional Services		5,900	
Miscellaneous		-	
	3,500	5,900	(2,400)
Plumbing Inspection			
Professional Services		2,900	
Miscellaneous		-	
	4,000	2,900	1,100
Rental Administration			
Professional Services		100	
Transportation		100	
	500	200	300

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Ordinance Administration/Enforcer			
Salaries and Wages		\$ 4,400	
Miscellaneous		<u>700</u>	
	<u>\$ 5,300</u>	<u>5,100</u>	<u>\$ 200</u>
Total Public Safety	29,300	23,000	6,300
Public Works			
Transfer Station			
Salaries and Wages		3,500	
Contracted Services		30,000	
Miscellaneous		<u>200</u>	
	35,700	33,700	2,000
Roads, Sidewalks, and Bridges	30,000	21,700	8,300
County Drains	<u>500</u>	<u>-</u>	<u>500</u>
Total Public Works	66,200	55,400	10,800
Community/Economic Development			
Planning Commission			
Salaries and Wages		4,500	
Professional Services		2,100	
Miscellaneous		<u>600</u>	
	10,400	7,200	3,200
Zoning Administration			
Salaries and Wages		3,800	
Miscellaneous		<u>100</u>	
	5,300	3,900	1,400
Board of Appeals	<u>700</u>	<u>200</u>	<u>500</u>
Total Community/Econ. Development	16,400	11,300	5,100

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Recreation and Cultural

Parks

Contracted Services		\$ 44,200	
Miscellaneous		600	
Capital Outlay		<u>61,000</u>	
	\$ 104,500	105,800	\$ (1,300)

Library

Professional Services		-	
Utilities		1,000	
Miscellaneous		600	
Capital Outlay		<u>400</u>	
	<u>9,000</u>	<u>2,000</u>	<u>7,000</u>

Total Recreation and Cultural	<u>113,500</u>	<u>107,800</u>	<u>5,700</u>
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Total Expenditures	<u>632,700</u>	<u>526,800</u>	<u>105,900</u>
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Excess Revenues Over (Under) Expenditures	(273,000)	(173,700)	99,300
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OTHER FINANCING SOURCES (USES)

Operating Transfers In	-	1,100	1,100
Operating Transfers Out	<u>(25,000)</u>	<u>(300)</u>	<u>24,700</u>
Total Other Financing Sources (Uses)	<u>(25,000)</u>	<u>800</u>	<u>25,800</u>

Excess Revenues and Sources Over (Under) Expenditures and Uses	(298,000)	(172,900)	125,100
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Fund Balance - July 1, 2007	<u>472,400</u>	<u>472,400</u>	<u>-</u>
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Fund Balance - June 30, 2008	<u>\$ 174,400</u>	<u>\$ 299,500</u>	<u>\$ 125,100</u>
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H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

Board Members
Holton Township
Holton, MI 49425

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holton Township as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Holton Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

New Bank Accounts

A new checking account was established for the purchase of a new fire truck; however, the treasurer was not aware this account had been established until a statement was received in the mail.

Grand Rapids
4575 Lake Michigan Dr. NW
Grand Rapids, MI 49546
Phone (616) 453-8551
Fax (616) 453-9352

Muskegon
4985 South Harvey Street
Muskegon, MI 49444
Phone (231) 798-1040
Fax (231) 798-8409

Fremont
711 West Main Street
Fremont, MI 49412
Phone (231) 924-6890
Fax (231) 924-4088
Toll Free (800) 924-6891

Montague
4538 Dowling Street
Montague, MI 49437
Phone (231) 893-6772

Hart
1550 N. Industrial Park Drive
Hart, MI 49420
Phone (231) 873-5611
Fax (231) 873-7033

www.hscompanies.com

Financial Statement Misstatements

The internal controls did not identify misstatements in the financial statements such as:

- Beginning balances did not match to the ending balances of the prior year.
- Individual fund financial reports did not tie to the combined financial report.
- Some transactions were not properly reported.

Financial Statement Presentation

Management does not have the proper training to prepare financial statements in accordance with accounting principles generally accepted in the United States of America.

Segregation of Duties

In a small office it is often difficult to have a proper segregation of duties. One such area lies with the duties of the treasurer. The treasurer has the ability to make deposits, record deposits in the accounting records, record adjusting journal entries, and reconcile the bank accounts.

This communication is intended solely for the information and use of management, the Holton Township Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Hendon & Slate

Hendon & Slate, P.C.

Certified Public Accountants

Fremont, MI

November 7, 2008

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

Board Members
Holton Township
Holton, MI 49425

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holton Township for the year ended June 30, 2008, and have issued our report thereon dated November 7, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 27, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Holton Township are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 2007-2008 year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of depreciation expense is based on the estimated useful life of the asset as described in Note A to the financial statements. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimated value of the land, trailer, and pole building purchased on Syers Road is based on an appraisal that was conducted three years prior and on current market values. We evaluated the key factors and assumptions used to develop the estimated values in determining that it is reasonable in relation to the financial statements taken as a whole.

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4538 Dowling Street
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Hart
1550 N. Industrial Park Drive
Hart, MI 49420
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Fax (231) 873-7033

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Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

- Assistance with year-end closing for receivables, payables, and accrued wages.
- Transactions related to the acquisition of a fire truck including related loan and cash events.
- Reclassification of loan payments from capital outlay.
- Some balance sheet account balances as of July 1, 2007 did not tie to the June 30, 2007 audited figures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 7, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

One such matter discussed was the approval process of fire bills. Currently the fire chief approves the bills for payment by giving them to the clerk; however there is no signature or date or the clerk to ensure the bill was approved. We would like to recommend the fire chief initial and date all approved invoices to ensure the clerk pays the correct bills.

This information is intended solely for the use of the Holton Township Board and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Hendon & Slate

Hendon & Slate, P.C.
Certified Public Accountants
November 7, 2008